

FDIC State Profile

Spring 2004

Colorado

Based on employment and industrial production, Colorado remains in recession.

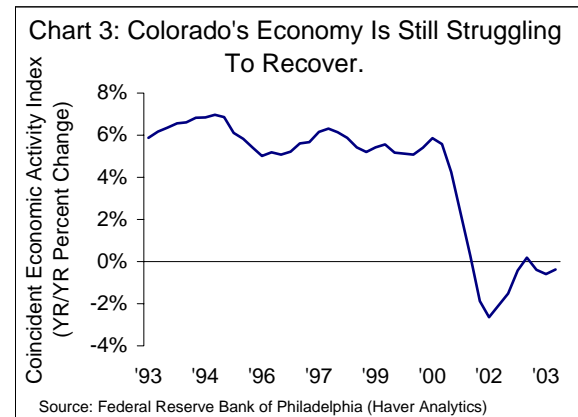
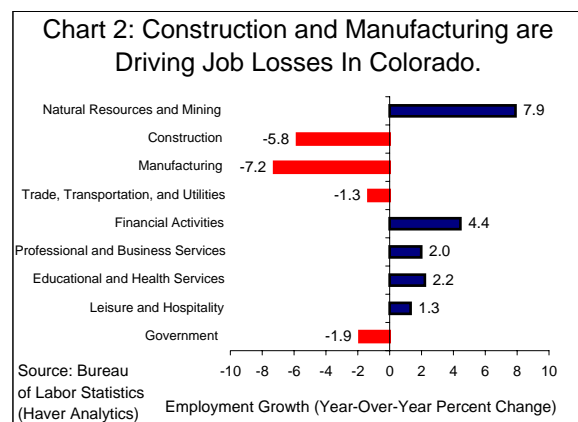
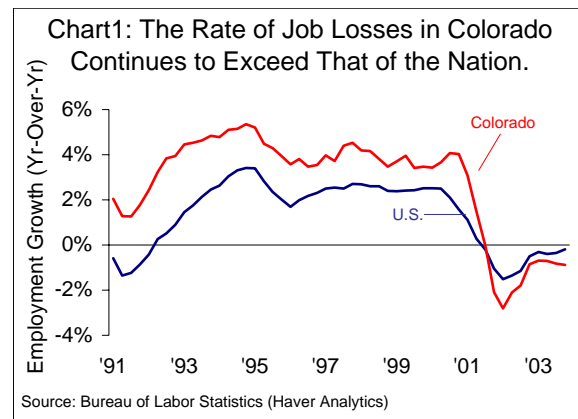
- The rate of job losses in Colorado continues to exceed that of the nation (See Chart 1).
- For the first time since records have been kept (1940), Colorado lost jobs for a second year in a row for 2003. Only three other states lost jobs at a faster pace than Colorado did last year.
- The weak employment situation nationally, along with certain locally troubled industries such as telecommunications, manufacturing and airlines, has contributed to the state's inability to shake off its current recession.

Job growth in Colorado has been uneven with respect to the state's major industry sectors.

- Natural resources/mining, financial activities and education and health services have added jobs in 2003, led by relatively strong natural gas prices, low mortgage interest rates, and favorable demographic trends (See Chart 2).
- Employment losses were concentrated primarily in the goods-providing sectors of construction and manufacturing. Losses in these sectors can be explained in part by the protracted downturn of the telecommunications industry.

The Colorado economy is not expected to recover until 2005, or later.

- The Coincident Index of Economic Activity indicates that the Colorado economy has been languishing for the past year.
- The **Colorado Springs** MSA could begin to see a turnaround in 2005 because of improvements in the telecom, auto parts and durable-goods industries.
- The state is not expected to reach pre-recession employment peak levels until 2005.¹



¹"The U.S. Regional/Industry Outlook." Economy.com, February 19, 2004.

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- Unfortunately, **Denver** may not see an employment turnaround until 2006 or later. Growth in auto assembly, investment banking, money management, aircraft, and technology are the likely sectors that would stimulate employment.

Colorado banks and thrifts report declining profitability.

- In 2003, Colorado insured institutions reported their weakest return-on-asset ratio in a decade with net interest margin compression the primary reason for the decline in profitability. The state's institutions are generally smaller, with some three-quarters of the state's institutions holding less than \$250 million in assets.
- The prolonged period of low interest rates has made it difficult for banks to lower deposit rates, so that the current cost of funding may have reached a floor. Unlike much of the country, long-term assets (over five years) in Colorado commercial banks are at their lowest level in seven years, signifying that these banks could be positioned to take advantage of rising interest rates.

Increasing consumer bankruptcy rates highlight the vulnerability of personal balance sheets.

- Personal bankruptcy rates continued to rise in Colorado in 2003, climbing to their highest level in a decade (See Chart 3).
- While consumer past-due loan rates among Colorado insured institutions have fallen over the past several years, the upward trend in consumer debt service burdens and bankruptcy filings suggests that credit quality could weaken going forward.

Despite high foreclosure rates, residential mortgage past dues are in line with national averages.

- Colorado residential real estate continues to show signs of stress as single-family mortgage foreclosures remain among the highest levels in a decade (See Chart 4).
- Colorado insured institutions reported an average residential mortgage past-due rate of 2.54 percent at year-end 2003, the highest level reported in a decade, but in line with national averages.

Despite weakness in commercial real estate (CRE) markets, lenders have not experienced significant deterioration in their portfolios.²

- The Denver MSA reported the sixth highest office vacancy rate in the country (21.2 percent) as of year-end 2003. However, new corporate relocations coupled with slowing construction activity suggest rents and occupancy should improve going forward.

- Although apartment vacancy rates are still rising due to weak demand, the rate of increase is slowing as new construction cools.
- Hotel occupancy remains lackluster at 58.1 percent, as tourism traffic remains weak.
- Despite general weakness in the commercial real estate sector, Colorado insured institutions have increased CRE exposure to the highest level in a decade (See Chart 5).
- Almost 40 percent of Colorado insured institutions report CRE-to-tier 1 capital ratios in excess of 300 percent, the 14th highest level in the nation. Even with this heightened exposure, CRE loan past-due and charge-off rates have remained stable over the past five-years.

Chart 4: Colorado Per Capita Bankruptcy Rates Continue To Climb Suggesting Consumer Loans May Weaken

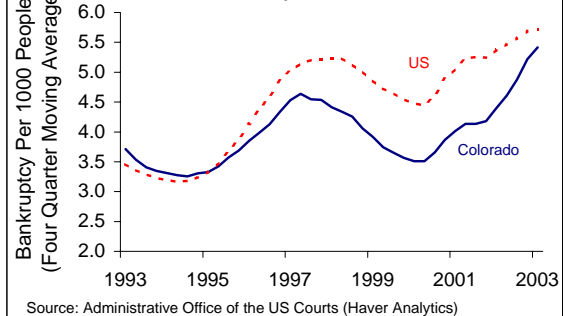
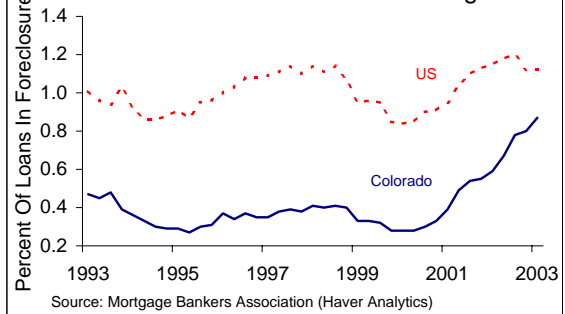


Chart 5: Colorado Mortgage Foreclosure Rates Have Dramatically Risen Over The Past Three Years But Remain Below US Averages



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Colorado at a Glance

General Information	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Institutions (#)	180	179	186	191	200
Total Assets (in thousands)	35,348,043	50,350,900	50,884,051	47,388,845	42,763,736
New Institutions (# < 3 years)	12	9	9	9	13
New Institutions (# < 9 years)	30	25	26	24	26
Capital	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Tier 1 Leverage (median)	8.34	8.18	8.22	8.48	8.42
Asset Quality	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Past-Due and Nonaccrual (median %)	1.44%	1.80%	1.62%	1.34%	1.23%
Past-Due and Nonaccrual >= 5%	21	18	14	14	11
ALLL/Total Loans (median %)	1.23%	1.25%	1.22%	1.13%	1.16%
ALLL/Noncurrent Loans (median multiple)	2.53	2.27	2.30	3.34	2.86
Net Loan Losses/Loans (aggregate)	0.33%	0.31%	0.33%	0.32%	0.46%
Earnings	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Unprofitable Institutions (#)	18	11	13	9	14
Percent Unprofitable	10.00%	6.15%	6.99%	4.71%	7.00%
Return on Assets (median %)	1.06	1.24	1.31	1.27	1.25
25th Percentile	0.65	0.73	0.73	0.87	0.89
Net Interest Margin (median %)	4.35%	4.64%	4.78%	5.08%	5.03%
Yield on Earning Assets (median)	5.90%	6.69%	8.06%	8.66%	8.18%
Cost of Funding Earning Assets (median)	1.41%	1.88%	3.08%	3.60%	3.12%
Provisions to Avg. Assets (median)	0.13%	0.15%	0.16%	0.13%	0.13%
Noninterest Income to Avg. Assets (median)	0.82%	0.85%	0.86%	0.84%	0.87%
Overhead to Avg. Assets (median)	3.27%	3.39%	3.51%	3.47%	3.47%
Liquidity/Sensitivity	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Loans to Deposits (median %)	71.76%	71.15%	73.50%	74.81%	73.70%
Loans to Assets (median %)	60.88%	61.24%	63.32%	64.01%	61.33%
Brokered Deposits (# of Institutions)	33	23	24	26	20
Bro. Deps./Assets (median for above inst.)	3.98%	4.29%	4.31%	3.40%	2.78%
Noncore Funding to Assets (median)	15.69%	14.93%	15.69%	14.64%	12.44%
Core Funding to Assets (median)	72.97%	73.76%	73.60%	74.49%	76.18%
Bank Class	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
State Nonmember	92	93	97	97	103
National	48	48	52	56	60
State Member	29	28	27	28	26
S&L	9	9	9	9	9
Savings Bank	2	1	1	1	2
Stock and Mutual SB	0	0	0	0	0
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	81	8,988,395	45.00%	25.43%	
Denver CO PMSA	51	15,809,407	28.33%	44.72%	
Colorado Springs CO	17	2,228,849	9.44%	6.31%	
Boulder-Longmont CO PMSA	8	2,470,512	4.44%	6.99%	
Greeley CO PMSA	7	1,228,371	3.89%	3.48%	
Ft Collins-Loveland CO	7	3,675,461	3.89%	10.40%	
Grand Junction CO	6	544,350	3.33%	1.54%	
Pueblo CO	3	402,698	1.67%	1.14%	